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Dear Friend,

I very much apologize for not getting back to you sooner in response to your writing me about the need to reform the credit card industry. I received a very large amount of correspondence as legislation was progressing on this continuously evolving issue and please know that I very much appreciate you giving me the benefit of your views. We are working hard to protect consumers from abusive practices in several financial industries and I'm very proud of the Credit Cardholders Bill of Rights Act that President Obama signed into law on May 22, 2009, which is a major victory in that effort.

I was glad that, in the end, the bill passed with huge majorities – over 80 percent of the House and 90 percent of the Senate – but we've been working on this for a long time, and it hasn't always been so popular. When the Democrats took over Congress three years ago, the Committee on Financial Services, which I chair, laid out an aggressive reform agenda. Improving consumer protection was a big part of that, and Carolyn Maloney, who chaired the Subcommittee on Financial Institutions, took the lead on credit cards. She held the first of seven hearings on credit card abuses in April 2007. We worked hard to get a meaningful bill that could still attract enough bipartisan support to make it through the Senate and get White House approval. We made compromises – left out some protections I wanted to include – and, in the House, it passed with over two thirds of the votes, but President Bush announced he opposed it, and it died in the Senate.

At the beginning of this year, we'd been focused on trying to stabilize the global financial system, but as soon as I could, I wanted to get back to our reform agenda. I worked with Rep. Maloney to get the Credit Cardholders Bill of Rights going again. With bigger Democratic majorities in Congress, we wrote a much stronger bill than last year, and I was pleased to discover that consumer protection has become a more popular cause on the other side of the aisle than it used to be. This new law is a significant step forward. It bans a slew of abusive practices, and it equips consumers with new rights and information to even the balance of power between card issuers and consumers. I've attached a letter of endorsement from a coalition of consumer groups and a summary of the bill's provisions for more information.

There are some areas I wish we could have done more. I regret that we could not make the new law take effect earlier than we did. Of course, if we had gotten this sort of Republican support in 2007, the rules could've already been in force. I also regret that the Senate tacked on a totally unrelated provision allowing guns in national parks. My

wish is that those who share my support for gun control lobbied as effectively as those who oppose it, but the reality is the provision had majority support in both the House and the Senate, and the rules of the Senate allowed it to be attached.

Many people contacted me about a so-called usury amendment that would have capped the interest rates credit cards could carry. I do not believe that it is good public policy to single out one industry for an interest rate cap. What we have tried to do in this bill is not to stop companies from openly and honestly offering high rates but to stop the wide range of deceptive practices where a company brings in customers at low rates then springs a much higher rate on them.

This bill moved quickly because we have strong consumer advocates in the House, Senate and the White House, and I want you to know that this does not end our work on consumer protection. As part of our overhaul of financial regulation, we are planning to create a Financial Products Safety Commission that will have the power to investigate abusive practices and deceptive products and to take action against them. I have also included a letter I recently sent to Federal Reserve Chairman Ben Bernanke asking him to crack down on exploitative overdraft fees, and the Financial Services Committee stands ready with legislation if the Fed does not do enough. We will continue to go after the scams, traps and abuses that have proliferated over the last 14 years and to investigate new ones that develop. This credit card bill is a big first step. Thank you again for writing me.

Sincerely,

A handwritten signature in dark ink that reads "Barney Frank". The signature is written in a cursive, flowing style.

BARNEY FRANK

SUMMARY
“THE CREDIT CARD ACCOUNTABILITY RESPONSIBILITY AND
DISCLOSURE ACT”
The CARD Act of 2009
May 19, 2009

- Prohibits arbitrary interest rate increases and universal default on existing balances;
- Requires a credit card issuer who increases a cardholder’s interest rate to periodically review and decrease the rate if indicated by the review;
- Prohibits credit card issuers from increasing rates on a cardholder in the first year after a credit card account is opened;
- Requires promotional rates to last at least 6 months.

Prohibits Exorbitant and Unnecessary Fees

- Prohibits issuers from charging a fee to pay a credit card debt, whether by mail, telephone, or electronic transfer, except for live services to make expedited payments;
- Prohibits issuers from charging over-limit fees unless the cardholder elects to allow the issuer to complete over-limit transactions, and also limits over-limit fees on electing cardholders;
- Requires penalty fees to be reasonable and proportional to the omission or violation;
- Enhances protections against excessive fees on low-credit, high-fee credit cards.

Requires Fairness in Application and Timing of Card Payments

- Requires payments in excess of the minimum to be applied first to the credit card balance with the highest rate of interest;
- Prohibits issuers from setting early morning deadlines for credit card payments;
- Requires credit card statements to be mailed 21 days before the bill is due rather than the current 14.

Protects the Rights of Financially Responsible Credit Card Users

- Prohibits interest charges on debt paid on time (double - cycle billing ban);
- Prohibits late fees if the card issuer delayed crediting the payment;
- Requires that payment at local branches be credited same - day;
- Requires credit card companies to consider a consumer’s ability to pay when issuing credit cards or increasing credit limits.

Provides Enhanced Disclosures of Card Terms and Conditions

- Requires cardholders to be given 45 days notice of interest rate, fee and finance charge increases;
- Requires issuers to provide disclosures to consumers upon card renewal when the card terms have changed;
- Requires issuers to provide individual consumer account information and to disclose the period of time and total interest it will take to pay off the card balance if only minimum monthly payments are made;
- Requires full disclosure in billing statements of payment due dates and applicable late payment penalties.

Strengthens Oversight of Credit Card Industry Practices

- Requires each credit card issuer to post its credit card agreements on the Internet, and provide those agreements to the Federal Reserve Board to post on its website;
- Requires the Federal Reserve Board to review the consumer credit card market, including the terms of credit card agreements and the practices of credit card issuers and the cost and availability of credit to consumers;
- Requires Federal Trade Commission rulemaking to prevent deceptive marketing of free credit reports.

Ensures Adequate Safeguards for Young People

- Requires issuers extending credit to young consumers under the age of 21 to obtain an application that contains: the signature of a parent, guardian, or other individual 21 years or older who will take responsibility for the debt; or proof that the applicant has an independent means of repaying any credit extended;
- Limits prescreened offers of credit to young consumers;
- Prohibits increases in the credit limit on accounts where a parent, legal guardian, spouse or other individual is jointly liable unless the individual who is jointly liable approves the increase;
- Increases protections for students against aggressive credit card marketing, and increases transparency of affinity arrangements between credit card companies and universities.

Enhanced Penalties

- Increases existing penalties for companies that violate the Truth in Lending Act for credit card customers.

Gift Card Protections

- Protects recipients of gift cards by requiring all gift cards to have at least a five - year life span, and eliminates the practice of declining values and hidden fees for those cards not used within a reasonable period of time.

Encourages Transparency in Credit Card Pricing

- Requires the GAO to study the impact of interchange fees on consumers and merchants, specifically their disclosure, pricing, fee and cost structure.

Protects Small Businesses

- Requires the Federal Reserve to study the use of credit cards by small businesses and make recommendations for administrative and legislative proposals;
- Establishes Small Business Information Security Task Force to address the information technology security needs of small businesses and help prevent the loss of credit card data.

Promotes Financial Literacy

- Requires comprehensive summary of existing financial literacy programs and development of strategic plan to improve financial literacy education.



May 27, 2009

Ben S. Bernanke
Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, DC 20551

Dear Chairman Bernanke:

We write to thank the Federal Reserve Board for bringing attention to abusive overdraft practices through your proposed rule pursuant to Regulation E, while urging you to adopt the stronger opt-in requirement for debit card purchases and ATM withdrawals. An opt-out requirement for these transactions will not adequately protect consumers from abusive overdraft practices.

Overdraft abuses related to debit card purchases and ATM withdrawals are particularly egregious for at least two reasons. First, overdraft fees triggered by these transactions, which could easily be denied at the terminal, often take consumers completely by surprise. Second, an overdraft fee charged on a typical debit card purchase is vastly disproportionate to the amount of the overdraft itself. It is only fair, then, that institutions be required to obtain consumers' *affirmative* consent before enrolling them in fee-based overdraft programs for these types of transactions.

Consumers generally expect a debit purchase or ATM transaction to simply be denied when their account lacks sufficient funds to cover it. They do not expect to be charged a fee averaging \$34 per transaction, and they usually only learn of the fee after the transaction has been processed. In fact, often consumers learn of the fee only after a *series* of fees has been incurred over the course of several days.

Moreover, the typical debit card transaction that incurs a \$34 fee is only \$20, triggering an overdraft of only \$17. Intuitively, we could presume that most customers would not choose to borrow \$17 for a fee of \$34. But we need not presume because the research speaks for itself: Surveys have found that *80 percent of consumers would rather have their debit transaction denied than have it covered for an overdraft fee*. In fact, a survey done just this month found that 80% of consumers who want a choice about overdraft would prefer opt-in over opt-out.

The FDIC's recent study of overdraft fees confirms existing research that exposes the exploitative nature of fee-based overdraft programs. The FDIC found that most banks automatically enroll consumers in fee-based overdraft programs rather than far less expensive alternatives, such as overdraft lines of credit; most banks allow consumers to overdraw their accounts at ATM and debit terminals without first warning them of the overdraft; and most large banks surveyed process transactions from largest to smallest, which maximizes the number of overdraft fees they can charge.

The FDIC's findings compel the Board to take significant action to alter the status quo. As the Board notes in its proposal, behavioral economics research shows that consumers are unlikely to alter the default arrangement. An opt-out arrangement, then, will not significantly alter the status quo. The Board should align the default with what best protects consumers and with what consumers say they want—no overdraft coverage for ATM and debit purchases unless consumers explicitly choose it.

In addition, we urge the Board to immediately address manipulative clearing practices by prohibiting institutions from posting transactions in an order that maximizes overdraft fees, as also provided by H.R. 1456.

I thank you again for the attention you have devoted to abusive overdraft lending, and I look forward to working with you on this important matter.

Sincerely,

CAROLYN B. MALONEY
Chair
Joint Economic Committee

BARNEY FRANK
Chairman
Financial Services Committee

LUIS GUTIERREZ
Chairman
Subcommittee on
Financial Institutions
and Consumer Credit

SUPPORT THE CREDIT CARDHOLDERS' BILL OF RIGHTS, H.R. 627

*Support Gutierrez Payment Allocation and Maloney Over-Limit Amendments
Oppose Hensarling Weakening Amendments*

Dear Representative:

The undersigned consumer, small business, labor and community organizations representing tens of millions of Americans strongly urge you to vote for H.R. 627, the Credit Cardholders' Bill of Rights Act (Rep. Maloney), on the Floor today. The bill passed the House on an overwhelming 312-112 vote, as H.R. 5244, in September 2008. It also cleared committee this year by a wide bipartisan margin. It enjoys broad public support.

We also urge you to support a number of amendments that would strengthen the bill, in particular those backed by the President to require credit card companies to apply payments made by consumers to the highest interest rate debt they owe (by Representatives Gutierrez, Gary Peters and Donna Edwards) and to prohibit card issuers from charging fees for over-limit transactions unless cardholders provide explicit permission (by Representatives Maloney and Watson.) We urge a "no" vote on amendments introduced by Representative Hensarling that would create huge exceptions to the bill's protections against unfair and deceptive practices. (Please see the attached for a full list of amendments we support and oppose.)

H.R. 627 rests on the basic rules of fair dealing that Americans expect everyone to play by. It curbs some of the most arbitrary, abusive, and unfair credit card lending practices that trap consumers in an un-ending cycle of costly debt. These tricks and traps have always been unfair, but they produce devastating financial repercussions in times of economic difficulty. Working families are particularly hard hit as they are paying more each year in unreasonable fees and credit card interest. Signs that credit card delinquencies and defaults are rising to historically high levels strongly suggest that many families cannot sustain the cumulative burdens of these abuses. The sub-prime meltdown demonstrates the importance of ending abusive lending practices when warning signs arise. Congress should take steps now to rein in these practices to forestall an even greater economic crisis.

National surveys have consistently found that Americans are highly critical of many current credit card industry practices, place very little trust in credit card companies, and are overwhelmingly supportive of strengthening regulation of the credit card industry. More than 50,000 consumers have written the Federal Reserve Board in support of eliminating abusive credit card practices. While the Federal Reserve and other agencies have finalized rules similar to the protections of H.R. 627, codifying these proposals into law as ensures that regulators will not weaken these protections in the future.

Although it does not include all of the reforms for which our organizations have advocated, H.R. 627 incorporates fair, common sense changes that target the most indefensible credit card abuses. The bill protects consumers from these abuses without stopping credit card companies from taking a number of steps to account for the financial risk of the consumers to whom they are loaning money. Issuers can set initial interest rates based on the risk of the borrower, increase the rate for future purchases or reduce or freeze credit lines that are offered.

We look forward to working with you toward final passage of this important legislation.

Sincerely,

American Federation of Labor and Congress of Industrial Organizations (AFL-CIO)

Americans for Fairness In Lending

Association of Community Organizations For Reform Now (ACORN)

Campus Progress Action

Center for Responsible Lending

Consumer Action

Consumer Federation of America

Consumers Union

Dēmos: A Network for Ideas & Action

National Association of Consumer Advocates

National Community Reinvestment Coalition

National Consumer Law Center (on Behalf of Its Low-Income Clients)

National Consumer League

National Council of La Raza

Public Citizen

Sargent Shriver Center on Poverty Law

Service Employees International Union

U.S. Public Interest Research Group